

VILLAGE OF JONESVILLE

AUDIT REPORT

JUNE 30, 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name VILLAGE OF JONESVILLE	County HILLSDALE
Audit Date 6/30/05	Opinion Date 11/7/05	Date Accountant Report Submitted to State: 11/17/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

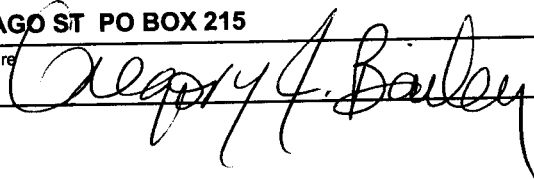
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) BAILEY, HODSHIRE & COMPANY, PC			
Street Address 479 E CHICAGO ST PO BOX 215		City JONESVILLE	State MI
Accountant Signature 		ZIP 49250	Date 11/17/05

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INDEPENDENT AUDITOR'S REPORT

To the Village Council
Village of Jonesville
Jonesville, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Jonesville, as of and for the year ended June 30, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village of Jonesville's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Jonesville, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2005, on our consideration of Village of Jonesville's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Village Council
Village of Jonesville

The management's discussion and analysis and budgetary comparison information on pages 3 through 8 and pages 32 through 34, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Jonesville basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Bailey, Holstine + Company, P.C.

Jonesville, Michigan
November 7, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Village of Jonesville, Michigan
Management's Discussion and Analysis (MD&A)
June 30, 2005

Introduction

The Village of Jonesville (Village) implemented GASB 34 requirements with 2004's audit. GASB 34 was adopted by the Governmental Accounting Standards Board (GASB) in their *Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June, 1999.

This section of the annual financial report presents management's discussion and analysis of the Village's financial performance during the fiscal year ended June 30, 2005. Please read it in conjunction with the basic financial statements, which follow this section.

Financial Highlights

- The Village's assets exceeded its liabilities by \$7,524,121 (net assets) at the close of this fiscal year. Net assets at the beginning of the fiscal year totaled \$5,220,465, showing an increase of \$2,303,656 (44%) during the current year.
- The Village's governmental funds reported total ending fund balance of \$1,801,969, of which \$1,744,960 is unreserved and undesignated and available for spending at the Village's discretion. This compares to the prior year ending fund balance of \$1,590,283, showing a \$211,686 (13%) increase during the current year.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$877,122, or 81% of total General Fund expenditures. This is an increase of \$15,498 over last year's ending fund balance.

Overview of the Financial Statements

This MD&A is intended to serve as an introduction to the Village's basic financial statements. The basic financial statements include: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The Village also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances, similar to that found in private sector business.

Statement of Net Assets: This statement presents information on all of the Village's assets and liabilities, with the difference being reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator as to whether the Village's financial position as a whole is improving or deteriorating.

Statement of Activities: This reports how the Village's net assets changed during the fiscal year. All current year revenues and expenses are included regardless of when the cash is received or paid. An important purpose of this statement is to show the financial reliance of the Village's distinct activities or functions on revenues provided by the taxpayers.

Village of Jonesville, Michigan
Management's Discussion and Analysis (MD&A)
June 30, 2005

Both of the above statements distinguish governmental activities from business type activities. Governmental activities include general government, public safety, public services, zoning, and recreation, and are principally supported by taxes and revenues from other governments. Business-type activities include water and sewer, and are intended to recover all or a significant portion of their costs through user fees and charges.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the Village's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds are used to account for essentially the same functions as governmental activities in the government-wide financial statements. However, these statements report short-term fiscal accountability focusing on the use of expendable resources during the year and balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide reconciliations to the government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparison statements are included in the basic financial statements for the general fund and major special revenue funds. Budgetary comparison schedules for other special revenue funds and the Debt Service Fund can be found in a later section of this report. These statements and schedules demonstrate compliance with the Village's adopted and final revised budget.

Proprietary Funds generally report services for which the Village charges customers a fee. There are two types of proprietary funds: Enterprise Funds and Internal Service Funds. Enterprise Funds are used to report functions presented as business-type activities, while Internal Service Funds primarily service the governmental unit. The Water and Sewer Funds are Enterprise Funds, and the Motor Vehicle Pool is an Internal Service Fund.

Fiduciary Funds are reported in the fund financial statements, but are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund Village programs. Fiduciary fund financial statements are similar to proprietary funds.

Notes to the Financial Statements: The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Village of Jonesville, Michigan
Management's Discussion and Analysis (MD&A)
June 30, 2005

Other Information: Additional statements and schedules can be found immediately following the notes to the financial statements. These include statements for non-major governmental funds and budget to actual comparison schedules.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the Village's financial position. The Village's assets exceeded its liabilities by \$7,524,121 (net assets) at the close of this fiscal year. Net assets at the beginning of the fiscal year totaled \$5,220,465, showing an increase of \$2,303,656 over the prior year. The following analysis provides a summary of the Village's net assets as of June 30, 2005 as compared to 2004:

NET ASSETS

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Assets						
Current Assets	\$ 2,121,918	\$ 2,176,025	\$ 1,286,452	\$ 1,165,992	\$ 3,408,370	\$ 3,342,017
Noncurrent Assets	1,074,820	773,793	10,513,664	7,039,450	11,588,484	7,813,243
Total Assets	<u>\$ 3,196,738</u>	<u>\$ 2,949,818</u>	<u>\$ 11,800,116</u>	<u>\$ 8,205,442</u>	<u>\$ 14,996,854</u>	<u>\$ 11,155,260</u>
Liabilities						
Current Liabilities	\$ 103,188	\$ 164,110	\$ 706,028	\$ 497,703	\$ 809,216	\$ 661,813
Noncurrent Liabilities	763,490	826,430	5,900,027	4,446,552	6,663,517	5,272,982
Total Liabilities	<u>\$ 866,678</u>	<u>\$ 990,540</u>	<u>\$ 6,606,055</u>	<u>\$ 4,944,255</u>	<u>\$ 7,472,733</u>	<u>\$ 5,934,795</u>
Net Assets						
Invested in Capital Assets,						
Net of Related Debt	\$ 348,825	\$ (11,207)	\$ 4,508,658	\$ 2,549,490	\$ 4,857,483	\$ 2,538,283
Restricted	57,009	60,251	499,553	137,429	556,562	197,680
Unrestricted	1,924,226	1,910,234	185,850	574,268	2,110,076	2,484,502
Total Net Assets	<u>\$ 2,330,060</u>	<u>\$ 1,959,278</u>	<u>\$ 5,194,061</u>	<u>\$ 3,261,187</u>	<u>\$ 7,524,121</u>	<u>\$ 5,220,465</u>
Total Liabilities and Net Assets	<u>\$ 3,196,738</u>	<u>\$ 2,949,818</u>	<u>\$ 11,800,116</u>	<u>\$ 8,205,442</u>	<u>\$ 14,996,854</u>	<u>\$ 11,155,260</u>

The Village reported positive balances in net assets for both governmental and business-type activities. Net assets increased \$370,782 for governmental activities and \$1,932,874 for business-type activities. The Village's overall financial position improved during fiscal year 2005.

The following table reflects the change in net assets of the Village's governmental and business-type activities for the year ended June 30, 2005 compared to 2004:

Village of Jonesville, Michigan
Management's Discussion and Analysis (MD&A)
June 30, 2005

CHANGES IN NET ASSETS

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Program Revenue						
Charges for Services	\$ 62,183	\$ 47,378	\$ 909,541	\$ 903,785	\$ 971,724	\$ 951,163
Oper. Grants and Contrib.	212,629	215,794	-	-	212,629	215,794
Capital Grants and Contrib.	105,281	5,421	1,851,600	-	1,956,881	5,421
General Revenue						
Property Taxes	642,815	689,567	-	-	642,815	689,567
State Shared Revenue	238,556	241,679	-	-	238,556	241,679
Pymts from Component Units	126,959	136,565	60,269	61,905	187,228	198,470
Other	198,714	195,474	27,467	11,575	226,181	207,049
Total Revenue	<u>\$1,587,137</u>	<u>\$1,531,878</u>	<u>\$2,848,877</u>	<u>\$ 977,265</u>	<u>\$4,436,014</u>	<u>\$2,509,143</u>
Expenses						
General Government	\$ 511,946	\$ 452,661	\$ -	\$ -	\$ 511,946	\$ 452,661
Public Safety	316,424	311,705	-	-	\$ 316,424	\$ 311,705
Public Improvements	13,960	34,321	-	-	\$ 13,960	\$ 34,321
Streets, Highways, Drains	196,386	206,615	-	-	\$ 196,386	\$ 206,615
Sanitation	2,794	9,334	-	-	\$ 2,794	\$ 9,334
Culture & Recreation	20,922	60,812	-	-	\$ 20,922	\$ 60,812
Interest on Long-Term Debt	38,198	40,823	-	-	\$ 38,198	\$ 40,823
Depreciation	115,725	75,299	-	-	\$ 115,725	\$ 75,299
Water Utility	-	-	320,379	336,302	\$ 320,379	\$ 336,302
Sewer Utility	-	-	595,624	428,991	\$ 595,624	\$ 428,991
Total Expenses	<u>\$1,216,355</u>	<u>\$1,191,570</u>	<u>\$ 916,003</u>	<u>\$ 765,293</u>	<u>\$2,132,358</u>	<u>\$1,956,863</u>
INCREASE IN NET ASSETS	<u>\$ 370,782</u>	<u>\$ 340,308</u>	<u>\$1,932,874</u>	<u>\$ 211,972</u>	<u>\$2,303,656</u>	<u>\$ 552,280</u>

Governmental Activities

Governmental activities increased the Village's net assets by \$370,782, which accounts for 16% of the total increase in net assets.

Revenues from governmental activities totaled \$1,207,044. Property tax revenue represents the largest portion of those revenues (53%), with state shared revenue representing 20% of the total.

The largest components of governmental activities' expenses are general government (42%), public safety (26%), and streets, highways, and drains (16%). General Government consists of Council, Administrative, Zoning, Planning, Motor Vehicle Pool, etc, and Public Safety includes Police and Fire.

Business-type Activities

Business-type activities increased the Village's net assets by \$1,932,874, or 84% of the total increase in net assets. Revenues from the water and sewer rate increase, which was implemented in July 2003, assisted in this increase. Those revenues will be used to repay the debt on the sewer plant improvements, as well as planning for future improvements in the water and sewer systems.

Village of Jonesville, Michigan
Management's Discussion and Analysis (MD&A)
June 30, 2005

Governmental Funds

The focus of the Village's governmental funds is to provide information on short-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of June 30, 2005, the Village's governmental funds reported combined ending fund balances of \$1,801,969. Of this total, approximately 97% is unreserved, indicating availability for continuing Village service requirements. Although a substantial amount is unreserved, a portion of the fund balances has been designated for projects such as the development of Adrian Street, and Village Hall renovation. Reserved fund balance represents the amount designated to repay debt through the Debt Service Fund.

The General Fund is the primary operating fund of the Village. At the end of the current fiscal year, the General Fund showed a very healthy fund balance of \$877,122.

The other Major Governmental Funds include Major Streets, Local Streets, and Other Governmental Funds, which include Debt Service and State Highway. Of the above funds, State Highway and Debt Service showed decreases in fund balance, \$2,362 and \$3,242 respectively.

Proprietary Funds

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status. The Village's proprietary funds consist of the Water Fund, Sewer Fund, and the Motor Vehicle Pool. Total net assets of the Water and Sewer Funds were \$5,194,061, an improvement of \$1,932,874 over the previous fiscal year. The Motor Vehicle Pool's net assets at the end of this fiscal year were \$720,390, an improvement of \$13,706 over the previous fiscal year.

General Fund Budgetary Highlights

The difference between the original and final amended budget for the General Fund revenues was minor, with the original budget being \$953,090, and the amended budget being \$1,068,210. The major difference between the two numbers is the FEMA Firefighter Assistance Grant, which was not budgeted, since we were unsure whether it would be awarded at budget time.

The difference between the appropriations originally budgeted and the final appropriations budget was \$139,180 (\$1,023,007 vs. \$1,162,187). General government expenditures were increased by \$15,863; public safety was increased by \$99,750; public improvements increased by \$1,100; culture and recreation was increased by \$3,550; fringe benefits was increased by \$11,685 (due to unemployment benefits and increased personnel on health insurance); insurance was increased by \$3,150 (property/liability/work comp); and promotions was increased by \$1,500.

Village of Jonesville, Michigan
Management's Discussion and Analysis (MD&A)
June 30, 2005

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets at year-end were as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Land	\$ 17,689	\$ 17,689	\$ 2,061	\$ 2,061	\$ 19,750	\$ 19,750
Land Improvements	44,260	44,260	-	-	44,260	44,260
Buildings and Improvements	571,731	555,819	-	-	571,731	555,819
Facilities & Mains	-	-	5,735,115	5,735,115	5,735,115	5,735,115
Construction in Progress	-	-	7,102,987	3,458,464	7,102,987	3,458,464
Furniture & Equipment	424,223	283,996	1,328,978	1,312,578	1,753,201	1,596,574
Vehicles	981,647	734,141	8,138	8,138	989,785	742,279
Less: Acc. Depreciation	(964,730)	(862,112)	(3,663,615)	(3,476,906)	(4,628,345)	(4,339,018)
Total Capital Assets, Net of Depreciation	<u>\$ 1,074,820</u>	<u>\$ 773,793</u>	<u>\$10,513,664</u>	<u>\$ 7,039,450</u>	<u>\$11,588,484</u>	<u>\$7,813,243</u>

At June 30, 2005, the Village had \$6,711,000 in bonds and contracts outstanding, as shown below:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
General Obligation Bonds	\$ 720,000	\$ 785,000	\$ -	\$ -	\$ 720,000	\$ 785,000
Revenue Bonds	\$ -	-	4,806,600	3,281,000	4,806,600	3,281,000
County Contract	\$ -	-	1,185,000	1,220,000	1,185,000	1,220,000
Total Long-Term Debt	<u>\$ 720,000</u>	<u>\$ 785,000</u>	<u>\$ 5,991,600</u>	<u>\$ 4,501,000</u>	<u>\$ 6,711,600</u>	<u>\$ 5,286,000</u>

Factors Bearing on the Village's Future

The Waste Water Treatment plan expansion lasted 2 long years, but is finally complete and in operation. The Village is now ready to expand the sewer system as needs arise.

The on-going concern for more space in the Village Hall keeps the Council diligently working on ideas to expand into the second floor at a reasonable cost.

Plans are in place for the Downtown Development Authority to obtain property in order to provide a public parking lot on the south side of downtown. This project should be completed by the end of the current fiscal year.

As homes continue to change hands in Jonesville, taxable values will continue to rise, increasing property tax revenues. There was no change in property tax millages for fiscal year 2006.

The national economic downturn and market performance continue to be a concern for Village management. We continue to depend on state revenue sharing and investment income as major funding sources for the Village. As the state cuts our revenue, we will continue to strive to cut expenditures, and make our jobs as efficient as possible.

Contacting the Village's Financial Management

This financial report is designed to provide a general overview of the Village of Jonesville's finances. Questions or comments concerning any of the information provided in this report should be addressed to Lenore Spahr, Finance Director, Village of Jonesville, 265 E. Chicago Street, Jonesville, MI 49250.

BASIC FINANCIAL STATEMENTS

VILLAGE OF JONESVILLE
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 291,799	\$ 326,615	\$ 618,414	\$ 42,904
Investments	1,675,184	943,772	2,618,956	597,335
Accounts Receivable	14,464	12,020	26,484	0
Taxes Receivable	0	0	0	207,735
Due from Other Governmental Units	120,177	0	120,177	0
Inventory	0	2,736	2,736	0
Prepaid Expense	20,294	1,309	21,603	22
Total Current Assets	<u>\$ 2,121,918</u>	<u>\$ 1,286,452</u>	<u>\$ 3,408,370</u>	<u>\$ 847,996</u>
Noncurrent Assets				
Capital Assets				
Land	\$ 17,689	\$ 2,061	\$ 19,750	\$ 107,200
Land Improvements	44,260	0	44,260	0
Buildings & Improvements	571,731	0	571,731	0
Facilities & Mains	0	5,735,115	5,735,115	0
Construction in Progress	0	7,102,987	7,102,987	0
Furniture & Equipment	424,223	1,328,978	1,753,201	0
Vehicles	981,647	8,138	989,785	0
Infrastructure	0	0	0	135,251
Less: Accumulated Depreciation	<u>(964,730)</u>	<u>(3,663,615)</u>	<u>(4,628,345)</u>	<u>(0)</u>
Total Noncurrent Assets	<u>\$ 1,074,820</u>	<u>\$10,513,664</u>	<u>\$11,588,484</u>	<u>\$ 242,451</u>
Total Assets	<u>\$ 3,196,738</u>	<u>\$11,800,116</u>	<u>\$14,996,854</u>	<u>\$ 1,090,447</u>
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 24,070	\$ 566,997	\$ 591,067	\$ 2,599
Salaries Payable	8,123	2,305	10,428	0
Customer Deposits	0	1,200	1,200	0
Interest Payable	5,995	23,526	29,521	0
Current Portion of Long-Term Debt	<u>65,000</u>	<u>112,000</u>	<u>177,000</u>	<u>0</u>
Total Current Liabilities	<u>\$ 103,188</u>	<u>\$ 706,028</u>	<u>\$ 809,216</u>	<u>\$ 2,599</u>
Noncurrent Liabilities				
Bonds, County Contract	\$ 655,000	\$ 5,879,600	\$ 6,534,600	\$ 0
Less: Bond Discount	0	(10,120)	(10,120)	0
Compensated Absences	<u>108,490</u>	<u>30,547</u>	<u>139,037</u>	<u>0</u>
Total Noncurrent Liabilities	<u>\$ 763,490</u>	<u>\$ 5,900,027</u>	<u>\$ 6,663,517</u>	<u>\$ 0</u>
Total Liabilities	<u>\$ 866,678</u>	<u>\$ 6,606,055</u>	<u>\$ 7,472,733</u>	<u>\$ 2,599</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	\$ 348,825	\$ 4,508,658	\$ 4,857,483	\$ 242,451
Restricted for:				
Replacement	0	178,941	178,941	0
Debt Service	57,009	320,612	377,621	0
Unrestricted	<u>1,924,226</u>	<u>185,850</u>	<u>2,110,076</u>	<u>845,397</u>
Total Net Assets	<u>\$ 2,330,060</u>	<u>\$ 5,194,061</u>	<u>\$ 7,524,121</u>	<u>\$ 1,087,848</u>
Total Liabilities and Net Assets	<u>\$ 3,196,738</u>	<u>\$11,800,116</u>	<u>\$14,996,854</u>	<u>\$ 1,090,447</u>

See accompanying notes to the basic financial statements.

VILLAGE OF JONESVILLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
General Government	\$ 511,946	\$ 14,492	\$ 0	\$ 0	\$ (497,454)
Public Safety	316,424	39,296	0	85,320	(191,808)
Public Improvements	13,960	0	0	0	(13,960)
Streets, Highways, and Drains	196,386	0	212,629	0	16,243
Sanitation	2,794	0	0	0	(2,794)
Culture and Recreation	20,922	8,395	0	19,961	7,434
Interest on Long-Term Debt	38,198	0	0	0	(38,198)
Depreciation - Unallocated	<u>115,725</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(115,725)</u>
Total Governmental Activities	<u>\$ 1,216,355</u>	<u>\$ 62,183</u>	<u>\$ 212,629</u>	<u>\$ 105,281</u>	<u>\$ (836,262)</u>
Business-type Activities:					
Water	\$ 320,379	\$ 311,845	\$ 0	\$ 0	\$ (8,534)
Sewer	<u>595,624</u>	<u>597,696</u>	<u>0</u>	<u>1,851,600</u>	<u>1,853,672</u>
Total Business-type Activities	<u>\$ 916,003</u>	<u>\$ 909,541</u>	<u>\$ 0</u>	<u>\$ 1,851,600</u>	<u>\$ 1,845,138</u>
Total Primary Government	<u>\$ 2,132,358</u>	<u>\$ 971,724</u>	<u>\$ 212,629</u>	<u>\$ 1,956,881</u>	<u>\$ 1,008,876</u>
Component Units:					
Downtown Development Authority	\$ 140,942	\$ 0	\$ 11,842	\$ 0	\$ (129,100)
Local Development Finance Authority	<u>128,036</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(128,036)</u>
Total Component Units	<u>\$ 268,978</u>	<u>\$ 0</u>	<u>\$ 11,842</u>	<u>\$ 0</u>	<u>\$ (257,136)</u>
		Primary Government			Component Units
		Governmental Activities	Business-type Activities	Total	
Change in Net Assets:					
Net (Expense) Revenue		<u>\$ (836,262)</u>	<u>\$ 1,845,138</u>	<u>\$ 1,008,876</u>	<u>\$ (257,136)</u>
General Revenue:					
Property Taxes Levied for General Purposes		\$ 459,322	\$ 0	\$ 459,322	\$ 0
Property Taxes Levied for Local Streets		183,493	0	183,493	0
Property Taxes Captured		0	0	0	599,007
State Shared Revenue		238,556	0	238,556	0
Unrestricted Investment Income		36,970	16,706	53,676	6,853
Payments from Component Units		126,959	60,269	187,228	0
Miscellaneous		<u>161,744</u>	<u>10,761</u>	<u>172,505</u>	<u>6,000</u>
Total General Revenue		<u>\$ 1,207,044</u>	<u>\$ 87,736</u>	<u>\$ 1,294,780</u>	<u>\$ 611,860</u>
Change in Net Assets		<u>\$ 370,782</u>	<u>\$ 1,932,874</u>	<u>\$ 2,303,656</u>	<u>\$ 354,724</u>
Net Assets - Beginning		<u>1,959,278</u>	<u>3,261,187</u>	<u>5,220,465</u>	<u>733,124</u>
Net Assets - Ending		<u>\$ 2,330,060</u>	<u>\$ 5,194,061</u>	<u>\$ 7,524,121</u>	<u>\$ 1,087,848</u>

See accompanying notes to the basic financial statements.

VILLAGE OF JONESVILLE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash	\$ 150,694	\$ 20,805	\$ 30,881	\$ 28,969	\$ 231,349
Investments	635,854	67,669	717,874	28,548	1,449,945
Accounts Receivable	3,159	0	0	0	3,159
Due from Other Funds	20,901	0	0	0	20,901
Due from Other Governmental Units	75,052	28,502	9,873	6,750	120,177
Prepaid Expense	<u>19,556</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>19,556</u>
Total Assets	<u><u>\$ 905,216</u></u>	<u><u>\$ 116,976</u></u>	<u><u>\$ 758,628</u></u>	<u><u>\$ 64,267</u></u>	<u><u>\$ 1,845,087</u></u>
LIABILITIES					
Accounts Payable	\$ 19,794	\$ 749	\$ 1,189	\$ 828	\$ 22,560
Due to Other Funds	1,567	1,963	2,680	6,382	12,592
Salaries Payable	<u>6,733</u>	<u>354</u>	<u>879</u>	<u>0</u>	<u>7,966</u>
Total Liabilities	<u><u>\$ 28,094</u></u>	<u><u>\$ 3,066</u></u>	<u><u>\$ 4,748</u></u>	<u><u>\$ 7,210</u></u>	<u><u>\$ 43,118</u></u>
FUND BALANCES					
Unreserved, reported in:					
General Fund	\$ 877,122	\$ 0	\$ 0	\$ 0	\$ 877,122
Special Revenue Funds	0	113,910	753,880	48	867,838
Reserved, reported in:					
Debt Retirement Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>57,009</u>	<u>57,009</u>
Total Fund Balances	<u><u>\$ 877,122</u></u>	<u><u>\$ 113,910</u></u>	<u><u>\$ 753,880</u></u>	<u><u>\$ 57,057</u></u>	<u><u>\$ 1,801,969</u></u>
Total Liabilities and Fund Balances	<u><u>\$ 905,216</u></u>	<u><u>\$ 116,976</u></u>	<u><u>\$ 758,628</u></u>	<u><u>\$ 64,267</u></u>	<u><u>\$ 1,845,087</u></u>

The accompanying notes are an integral part of this statement.

VILLAGE OF JONESVILLE
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets of
Governmental Activities on the Statement of Net Assets
June 30, 2005

Fund Balances - total governmental funds \$ 1,801,969

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add: Capital assets 2,039,550

Deduct: Accumulated depreciation (964,730)

An Internal Service Fund is used by management to charge the cost of equipment and vehicle usage to individual funds. Assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net assets.

Add: Internal Service Fund assets 291,459

Deduct: Internal Service Fund liabilities (3,703)

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct: Bonds and notes payable (720,000)

Deduct: Accrued interest on bonds and notes payable (5,995)

Deduct: Compensated absences (108,490)

Net assets of governmental activities \$ 2,330,060

The accompanying notes are an integral part of this statement.

VILLAGE OF JONESVILLE
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	General	Major Streets	Local Streets	Other Governmental Funds	Total Governmental Funds
REVENUE					
Property Taxes	\$ 459,322	\$ 0	\$ 183,493	\$ 0	\$ 642,815
Licenses and Permits	1,505	0	0	0	1,505
State Shared Revenue	238,556	135,368	43,022	0	416,946
METRO Act	0	6,606	2,109	0	8,715
Grants	105,281	0	0	0	105,281
Charges and Fees	52,355	0	0	0	52,355
State Highway Contract	0	0	0	25,524	25,524
Recreation	15,439	0	0	0	15,439
Rents and Royalties	11,316	0	0	0	11,316
Contributions	5,445	0	2,150	0	7,595
Reimbursements	124,184	0	0	0	124,184
Interest	23,514	1,116	11,663	677	36,970
Transfers from Component Units	43,003	0	33,956	50,000	126,959
Miscellaneous	6,232	125	0	0	6,357
Total Revenue	<u>\$ 1,086,152</u>	<u>\$ 143,215</u>	<u>\$ 276,393</u>	<u>\$ 76,201</u>	<u>\$ 1,581,961</u>
EXPENDITURES					
General Government	\$ 257,450	\$ 0	\$ 0	\$ 0	\$ 257,450
Public Safety	463,561	0	0	0	463,561
Public Improvements	13,960	0	0	0	13,960
Streets, Highways, and Drains	22,374	80,985	73,128	28,189	204,676
Sanitation	2,794	0	0	0	2,794
Culture and Recreation	39,044	0	0	0	39,044
Fringe Benefits	270,902	0	0	0	270,902
Insurance	15,567	0	0	0	15,567
Promotions	3,078	0	0	0	3,078
Debt Service					
Principal	0	0	0	65,000	65,000
Interest	0	0	0	38,716	38,716
Total Expenditures	<u>\$ 1,088,730</u>	<u>\$ 80,985</u>	<u>\$ 73,128</u>	<u>\$ 131,905</u>	<u>\$ 1,374,748</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ (2,578)</u>	<u>\$ 62,230</u>	<u>\$ 203,265</u>	<u>\$ (55,704)</u>	<u>\$ 207,213</u>
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	\$ 59,200	\$ 0	\$ 0	\$ 50,100	\$ 109,300
Operating Transfers Out	(41,124)	(56,400)	(6,600)	0	(104,124)
Other Transactions	0	0	(703)	0	(703)
Total Other Financing Sources (Uses)	<u>\$ 18,076</u>	<u>\$ (56,400)</u>	<u>\$ (7,303)</u>	<u>\$ 50,100</u>	<u>\$ 4,473</u>
NET CHANGE IN FUND BALANCES	\$ 15,498	\$ 5,830	\$ 195,962	\$ (5,604)	\$ 211,686
FUND BALANCES - Beginning	<u>861,624</u>	<u>108,080</u>	<u>557,918</u>	<u>62,661</u>	<u>1,590,283</u>
FUND BALANCES - Ending	<u>\$ 877,122</u>	<u>\$ 113,910</u>	<u>\$ 753,880</u>	<u>\$ 57,057</u>	<u>\$ 1,801,969</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF JONESVILLE
Reconciliation of Statement of Revenue, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2005

Net changes in fund balances - total governmental funds	\$ 211,686
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Add: Capital outlay	137,435
Deduct: Depreciation expense	(115,725)
An Internal Service Fund is used by management to charge the cost of equipment and vehicle usage to individual funds. Net revenue of the Internal Service Fund of \$88,008 (before depreciation) is reported with governmental activities in the statement of net assets.	73,928
Debt proceeds provide current financial resources to governmental funds in the period issued, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
Deduct: New debt issued	0
Add: Principal payments on long-term debt	65,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	
Add: Decrease in interest payable on long-term liabilities	518
Deduct: Increase in accrual for compensated absences	(2,060)
Change in net assets of governmental activities	<u>\$ 370,782</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF JONESVILLE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005

	Enterprise Funds		Total Enterprise Funds	Internal Service Funds
	Water	Sewer		
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 68,462	\$ 66,903	\$ 135,365	\$ 59,185
Investments	257,600	377,869	635,469	225,239
Accounts Receivable	3,202	8,818	12,020	67
Due from Other Funds	0	0	0	6,230
Inventory	1,054	1,682	2,736	0
Prepaid Expense	311	998	1,309	738
Total Current Assets	<u>\$ 330,629</u>	<u>\$ 456,270</u>	<u>\$ 786,899</u>	<u>\$ 291,459</u>
Restricted Assets				
Bond Interest and Redemption Accounts	\$ 23,451	\$ 150,750	\$ 174,201	\$ 0
Bond Reserve Accounts	40,037	106,374	146,411	0
Replacement Accounts	31,285	147,656	178,941	0
Total Restricted Assets	<u>\$ 94,773</u>	<u>\$ 404,780</u>	<u>\$ 499,553</u>	<u>\$ 0</u>
Noncurrent Assets				
Capital Assets - Not Depreciated	\$ 2,061	\$ 7,102,987	\$ 7,105,048	\$ 0
Other Capital Assets, Net of Accumulated Depreciation	1,961,715	1,446,901	3,408,616	432,634
Total Noncurrent Assets	<u>\$ 1,963,776</u>	<u>\$ 8,549,888</u>	<u>\$ 10,513,664</u>	<u>\$ 432,634</u>
Total Assets	<u>\$ 2,389,178</u>	<u>\$ 9,410,938</u>	<u>\$ 11,800,116</u>	<u>\$ 724,093</u>
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 3,232	\$ 552,526	\$ 555,758	\$ 1,510
Accrued Payroll	555	1,750	2,305	157
Due to Other Funds	5,829	5,410	11,239	2,036
Customer Deposits	600	600	1,200	0
Total Current Liabilities	<u>\$ 10,216</u>	<u>\$ 560,286</u>	<u>\$ 570,502</u>	<u>\$ 3,703</u>
Liabilities Payable from Restricted Assets				
Accrued Interest Payable	\$ 16,401	\$ 7,125	\$ 23,526	\$ 0
Revenue Bonds - Current	20,000	57,000	77,000	0
Contract Payable - Current	35,000	0	35,000	0
Total Liabilities Payable from Restricted Assets	<u>\$ 71,401</u>	<u>\$ 64,125</u>	<u>\$ 135,526</u>	<u>\$ 0</u>
Noncurrent Liabilities				
Contract Payable	\$ 1,150,000	\$ 0	\$ 1,150,000	\$ 0
Less: Bond Discount	(10,120)	0	(10,120)	0
Revenue Bonds Payable	209,000	4,520,600	4,729,600	0
Compensated Absences	8,150	22,397	30,547	0
Total Noncurrent Liabilities	<u>\$ 1,357,030</u>	<u>\$ 4,542,997</u>	<u>\$ 5,900,027</u>	<u>\$ 0</u>
Total Liabilities	<u>\$ 1,438,647</u>	<u>\$ 5,167,408</u>	<u>\$ 6,606,055</u>	<u>\$ 3,703</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	\$ 543,495	\$ 3,965,163	\$ 4,508,658	\$ 432,634
Restricted by Bond Covenants	94,773	404,780	499,553	0
Unrestricted	312,263	(126,413)	185,850	287,756
Total Net Assets	<u>\$ 950,531</u>	<u>\$ 4,243,530</u>	<u>\$ 5,194,061</u>	<u>\$ 720,390</u>
Total Liabilities and Net Assets	<u>\$ 2,389,178</u>	<u>\$ 9,410,938</u>	<u>\$ 11,800,116</u>	<u>\$ 724,093</u>

See accompanying notes to the basic financial statements.

VILLAGE OF JONESVILLE
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Enterprise Funds		Total Enterprise Funds	Internal Service Funds
	Water	Sewer		
OPERATING REVENUE				
Sales	\$ 286,725	\$ 595,696	\$ 864,421	\$ 0
Connections Fees	1,250	2,000	3,250	0
Rental	23,870	0	23,870	88,823
Other	5,238	5,523	10,761	11,325
Total Operating Revenue	<u>\$ 317,083</u>	<u>\$ 603,219</u>	<u>\$ 920,302</u>	<u>\$ 100,148</u>
OPERATING EXPENSES				
Sewage Disposal	\$ 0	\$ 325,179	\$ 325,179	\$ 0
Water Plant Operation	60,983	0	60,983	0
Water Distribution Expenses	76,865	0	76,865	0
Depreciation	80,049	106,659	186,708	60,222
Motor Vehicle Expense	0	0	0	87,688
Total Operating Expenses	<u>\$ 217,897</u>	<u>\$ 431,838</u>	<u>\$ 649,735</u>	<u>\$ 147,910</u>
OPERATING INCOME (LOSS)	<u>\$ 99,186</u>	<u>\$ 171,381</u>	<u>\$ 270,567</u>	<u>\$ (47,762)</u>
NON-OPERATING REVENUE (EXPENSES)				
Interest Income	\$ 5,553	\$ 11,153	\$ 16,706	\$ 4,368
Interest Expense	(77,482)	(137,786)	(215,268)	0
Total Non-operating Revenue (Expense)	<u>\$ (71,929)</u>	<u>\$ (126,633)</u>	<u>\$ (198,562)</u>	<u>\$ 4,368</u>
Income (Loss) Before Contributions and Transfers	<u>\$ 27,257</u>	<u>\$ 44,748</u>	<u>\$ 72,005</u>	<u>\$ (43,394)</u>
CONTRIBUTIONS AND TRANSFERS				
Grants Received	\$ 0	\$ 1,851,600	\$ 1,851,600	\$ 0
Contributions from Component Units	60,269	0	60,269	0
Contributions from Other Governments	0	0	0	11,276
Transfers From Other Funds	0	0	0	45,824
Transfers To Other Funds	(25,000)	(26,000)	(51,000)	0
Total Contributions and Transfers	<u>\$ 35,269</u>	<u>\$ 1,825,600</u>	<u>\$ 1,860,869</u>	<u>\$ 57,100</u>
CHANGE IN NET ASSETS	\$ 62,526	\$ 1,870,348	\$ 1,932,874	\$ 13,706
NET ASSETS - Beginning	<u>888,005</u>	<u>2,373,182</u>	<u>3,261,187</u>	<u>706,684</u>
NET ASSETS - Ending	<u><u>\$ 950,531</u></u>	<u><u>\$ 4,243,530</u></u>	<u><u>\$ 5,194,061</u></u>	<u><u>\$ 720,390</u></u>

See accompanying notes to the basic financial statements.

VILLAGE OF JONESVILLE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Water	Sewer	Total Enterprise Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 308,889	\$ 594,053	\$ 902,942	\$ 94,629
Cash payments to suppliers for goods and services	(96,578)	(215,018)	(311,596)	(54,152)
Cash payments to employees and professional contractors for services	(41,771)	(126,473)	(168,244)	(32,354)
Other operating revenue	<u>5,238</u>	<u>5,523</u>	<u>10,761</u>	<u>11,325</u>
Net cash provided (used) by operating activities	\$ <u>175,778</u>	\$ <u>258,085</u>	\$ <u>433,863</u>	\$ <u>19,448</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Contributions from Component Units	\$ 60,269	\$ 0	\$ 60,269	\$ 0
Contributions from other governments	0	0	0	11,276
Transfers from other funds	0	0	0	45,824
Transfers to other funds	<u>(25,000)</u>	<u>(26,000)</u>	<u>(51,000)</u>	<u>0</u>
Net cash provided (used) by non-capital financing activities	\$ <u>35,269</u>	\$ <u>(26,000)</u>	\$ <u>9,269</u>	\$ <u>57,100</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	\$ (16,400)	\$(3,452,955)	\$(3,469,355)	\$ (279,317)
Principal paid on bonds	(55,000)	(55,000)	(110,000)	0
Interest paid on bonds	(76,561)	(137,786)	(214,347)	0
Bond proceeds	0	1,600,600	1,600,600	0
Capital grants received	<u>0</u>	<u>1,851,600</u>	<u>1,851,600</u>	<u>0</u>
Net cash provided (used) by capital and related financing activities	\$ <u>(147,961)</u>	\$ <u>(193,541)</u>	\$ <u>(341,502)</u>	\$ <u>(279,317)</u>
CASH FLOWS FORM INVESTING ACTIVITIES				
Investment income	\$ <u>5,553</u>	\$ <u>11,153</u>	\$ <u>16,706</u>	\$ <u>4,368</u>
Net cash provided (used) by investment activities	\$ <u>5,553</u>	\$ <u>11,153</u>	\$ <u>16,706</u>	\$ <u>4,368</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 68,639	\$ 49,697	\$ 118,336	\$ (198,401)
CASH AND CASH EQUIVALENTS - Beginning	<u>352,196</u>	<u>799,855</u>	<u>1,152,051</u>	<u>482,825</u>
CASH AND CASH EQUIVALENTS - Ending	\$ <u>420,835</u>	\$ <u>849,552</u>	\$ <u>1,270,387</u>	\$ <u>284,424</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 99,186	\$ 171,381	\$ 270,567	\$ (47,762)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	80,049	106,659	186,708	60,222
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(2,956)	(3,643)	(6,599)	504
(Increase) decrease in due from other funds	0	0	0	5,302
(Increase) decrease in inventories	768	1,228	1,996	0
(Increase) decrease in prepaid expense	1,730	749	2,479	(96)
Increase (decrease) in accounts payable	562	(18,805)	(18,243)	784
Increase (decrease) in wages and benefits payable	(1,430)	(1,666)	(3,096)	13
Increase (decrease) in due to other funds	(4,760)	2,008	(2,752)	481
Increase (decrease) in liabilities payable from restricted assets	(777)	(375)	(1,152)	0
Increase (decrease) in compensated absences	<u>3,406</u>	<u>549</u>	<u>3,955</u>	<u>0</u>
Total adjustments	<u>76,592</u>	<u>86,704</u>	<u>163,296</u>	<u>67,210</u>
Net cash provided (used) by operating activities	\$ <u>175,778</u>	\$ <u>258,085</u>	\$ <u>433,863</u>	\$ <u>19,448</u>

See accompanying notes to the basic financial statements.

VILLAGE OF JONESVILLE
STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2005

ASSETS

Cash

\$ 768

LIABILITIES

Payroll deductions withheld

\$ 768

See accompanying notes to the basic financial statements.

VILLAGE OF JONESVILLE
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
JUNE 30, 2005

	<u>DDA</u>	<u>LDFA</u>	Total Component Units
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 3,396	\$ 39,508	\$ 42,904
Investments	232,315	365,020	597,335
Taxes Receivable	85,925	121,810	207,735
Prepaid Expense	<u>22</u>	<u>0</u>	<u>22</u>
Total Current Assets	<u>\$ 321,658</u>	<u>\$ 526,338</u>	<u>\$ 847,996</u>
Noncurrent Assets			
Capital Assets			
Land	\$ 0	\$ 107,200	\$ 107,200
Infrastructure	<u>135,251</u>	<u>0</u>	<u>135,251</u>
Total Noncurrent Assets	<u>\$ 135,251</u>	<u>\$ 107,200</u>	<u>\$ 242,451</u>
Total Assets	<u>\$ 456,909</u>	<u>\$ 633,538</u>	<u>\$ 1,090,447</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	<u>\$ 812</u>	<u>\$ 1,787</u>	<u>\$ 2,599</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	\$ 135,251	\$ 107,200	\$ 242,451
Unrestricted	<u>320,846</u>	<u>524,551</u>	<u>845,397</u>
Total Net Assets	<u>\$ 456,097</u>	<u>\$ 631,751</u>	<u>\$ 1,087,848</u>
Total Liabilities and Net Assets	<u>\$ 456,909</u>	<u>\$ 633,538</u>	<u>\$ 1,090,447</u>

See accompanying notes to the basic financial statements.

VILLAGE OF JONESVILLE
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2005

	DDA	LDEA	Total Component Units
EXPENSES			
Downtown Development	\$ 140,942	\$ 0	\$ 140,942
Industrial Development	<u>0</u>	<u>128,036</u>	<u>128,036</u>
Total Expenses	<u>\$ 140,942</u>	<u>\$ 128,036</u>	<u>\$ 268,978</u>
PROGRAM REVENUE			
Charges for Services	\$ 0	\$ 0	\$ 0
Operating Grants and Contributions	<u>11,842</u>	<u>0</u>	<u>11,842</u>
Total Program Revenue	<u>\$ 11,842</u>	<u>\$ 0</u>	<u>\$ 11,842</u>
NET (EXPENSE) REVENUE	<u>\$(129,100)</u>	<u>\$(128,036)</u>	<u>\$ (257,136)</u>
GENERAL REVENUE			
Property Taxes Captures	\$ 282,918	\$ 316,089	\$ 599,007
Land Rent	0	6,000	6,000
Investment Income	2,605	4,248	6,853
Other Income	<u>0</u>	<u>0</u>	<u>0</u>
Total General Revenue	<u>\$ 285,523</u>	<u>\$ 326,337</u>	<u>\$ 611,860</u>
CHANGE IN NET ASSETS	\$ 156,423	\$ 198,301	\$ 354,724
NET ASSETS - Beginning	<u>299,674</u>	<u>433,450</u>	<u>733,124</u>
NET ASSETS - Ending	<u>\$ 456,097</u>	<u>\$ 631,751</u>	<u>\$ 1,087,848</u>

See Note 1 for descriptions of component units shown in column headings

See accompanying notes to the basic financial statements.

NOTES TO THE FINANCIAL STATEMENTS

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Jonesville comprises a population of approximately 2,337 residents in Hillsdale County, Michigan. It is governed by a seven-member council with a president as its head. As required by generally accepted accounting principles, these financial statements present the Village's primary government and component units over which the Village exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationship with the Village (as distinct from legal relationships).

The following component units are reported in the Village's financial statements:

- The Local Development Finance Authority (LDFA) was created under Public Act 281 of 1986 of the State of Michigan. The LDFA's purpose is to work towards the elimination of the causes of unemployment, underemployment and joblessness, and to promote economic growth in the Village of Jonesville.
- The Downtown Development Authority (DDA) was created under Public Act 197 of 1975 of the State of Michigan. The DDA's purpose is to eliminate the causes of deterioration of property values in the business district of the Village and to promote economic growth.

The Village appoints the majority of the Boards of Directors of the LDFA and DDA. The budget of both entities require the Village's approval, and their main revenue source (tax increment financing) is a financial burden to the Village.

The accounting policies of Village of Jonesville conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of significant accounting policies used by Village of Jonesville:

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements - The statement of net assets and the statement of activities display financial information about the Village as a whole, excluding fiduciary activities. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed, but the statements distinguish governmental activities, generally supported by property taxes and Village general revenue, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Village's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the function and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, State Revenue Sharing, and other items not properly included among program revenues are reported as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Village.

Fund Financial Statements - Fund financial statements report detailed information about the Village. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting

The financial statements of the Village are prepared in accordance with generally accepted accounting principles (GAAP). The Village applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Village does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Village departments. Proprietary fund and component unit financial statements also report using this same focus and basis of accounting. Revenue is recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is to be collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Under the modified accrual basis, property taxes, State revenue sharing, interest, and grants are considered to be both measurable and available at fiscal year-end. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Operating income reported in proprietary fund financial statements includes revenue and expenses related to the primary, continuing operations of the fund. Principal operating revenue for proprietary funds is charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenue and expenses are classified as non-operating in the financial statements.

Financial Statement Presentation

The Village uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Village functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

The Village reports the following major governmental funds:

General Fund - used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the laws of the State of Michigan.

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Special Revenue Funds - used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust, or major capital projects) that are legally restricted to expenditures for specified purposes (i.e. Major Streets and Local Streets).

The Village reports the following major enterprise funds:

Water Utilities Fund - accounts for the operating activities of the Village's water utilities services.

Sewer Utilities Fund - accounts for the operating activities of the Village's sewer utilities services.

Additionally, the Village reports the following fund types:

Debt Retirement Fund - used to account for the accumulation of resources for and the payment of principal and interest on the Village's general obligation debt.

Internal Service Fund - accounts for the financing of goods and services provided by one department to other departments within the Village on a cost-reimbursement basis (i.e. equipment and vehicle usage). This is a proprietary fund reported with governmental activities in the government-wide statements.

Agency Fund - accounts for fiduciary assets held by the Village in a custodial capacity as an agent on behalf of others (i.e. employee payroll deductions).

Assets, Liabilities, and Net Assets

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less. Investments in this account are stated at cost which equals market value.

Inventories - Inventories are stated at cost, which approximates market, using the first-in/first-out method.

Capital Assets - General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Proprietary and component unit capital assets are also reported in their respective fund and combining component units financial statements. The Village has opted to delay retroactive infrastructure reporting as allowed by GASB 34.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Village maintains a capitalization threshold of \$1,000. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings & Improvements	0 - 50 years
Furniture & Equipment	5 - 20 years
Vehicles	5 years

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences (Vacation and Sick Leave) - It is the Village's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Vacation and sick leave are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignation, retirement, or death.

Interfund Balances - On fund financial statements, receivables and payables resulting from short-term interfund loans are reported as "due to/from other funds." These amounts are eliminated on the government-wide statement of net assets.

Long-Term Obligations - In the government-wide financial statements, all payables, accrued liabilities and long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs are reported as debt retirement expenditures.

Fund Balance - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Interfund Activity - Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information - The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. The legal level of budgetary control has been established by the Village Council at the function level. Any budgetary modifications may only be made by resolution of the Village Council. All annual appropriations lapse at fiscal year end.

The Village follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements:

- 1) Prior to June 30, the Village Manager submits to the Village Council a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.
- 4) For purposes of meeting emergency needs of the Village, transfer of appropriations may be made by the authorization of the Village Manager. Such transfers appropriations must be approved by the Village Council at its next regularly scheduled meeting.

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

- 5) The Village Manager is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

During the year, the Village incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Description</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund	Fringe Benefits	\$ 269,435	\$ 270,902	\$ 1,467

NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits

Following are the components of the Village's bank deposits at June 30, 2005:

Cash on hand	\$ 450
Checking and savings accounts	473,050
Certificates of deposit	<u>187,817</u>
	<u>\$ 661,317</u>

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2005, the carrying amount of the Village's deposits was \$661,317 and the bank balance was \$701,596. Of the bank balance, \$276,241 was covered by federal depository insurance and \$425,355 was uninsured.

Investments

Following are the components of the Village's investments at June 30, 2005:

Fifth Third Bank Government Money Market	\$ 1,528,105
Federated Automated Government Money Trust	1,027,693
MBIA CLASS Investment Pool	<u>660,493</u>
	<u>\$ 3,216,291</u>

Interest Rate Risk - In accordance with its investment policy, the Village manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools that limit the average maturity in accordance with the Village's cash requirements.

Credit Risk - State of Michigan laws authorize the Village to invest in bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Village's investment policy puts no further limits on its investment choices.

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

As of June 30, 2005, the Village's investments in the Fifth Third Bank Government Money Market and the Federated Automated Government Money Trust were each rated AAAM by Standard & Poor's. The MBIA CLASS Investment Pool was not rated.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2005, consist of State revenue sharing, State highway contract revenue, utility and other receivables. All receivables are considered collectible in full due to the ability to lien for the nonpayment of utility bills and the stable condition of State programs.

A summary of the principal items of receivables follows:

	General Fund	Major Street	Local Street	Other Governmental Funds	Proprietary Funds	Total
State Revenue Sharing	\$ 75,052	\$ 28,052	\$ 9,873	\$ 0	\$ 0	\$ 113,427
State Highway Contract	0	0	0	6,750	0	6,750
Utility customers	0	0	0	0	12,020	12,020
Other Receivables	<u>3,159</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,159</u>
Total	<u>\$ 78,211</u>	<u>\$ 28,502</u>	<u>\$ 9,873</u>	<u>\$ 6,750</u>	<u>\$ 12,020</u>	<u>\$ 135,356</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
PRIMARY GOVERNMENT				
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 17,689	\$ 0	\$ 0	\$ 17,689
Capital assets being depreciated				
Land Improvements	\$ 44,260	\$ 0	\$ 0	\$ 44,260
Buildings & Improvements	555,819	15,912	0	571,731
Furniture & Equipment	283,996	140,227	0	424,223
Vehicles	734,141	260,613	(13,107)	981,647
Less accumulated depreciation	<u>(862,112)</u>	<u>(115,725)</u>	<u>13,107</u>	<u>(964,730)</u>
Total capital assets				
being depreciated, net	\$ 756,104	\$ 301,027	\$ 0	\$ 1,057,131
Governmental Activities				
Total capital assets, net	\$ 773,793	\$ 301,027	\$ 0	\$ 1,074,820
Business-Type Activities				
Capital assets not being depreciated				
Land	\$ 2,061	\$ 0	\$ 0	\$ 2,061
Construction in Progress	<u>3,458,464</u>	<u>3,644,523</u>	<u>0</u>	<u>7,102,987</u>
Total capital assets not				
being depreciated	\$ 3,460,525	\$ 3,644,523	\$ 0	\$ 7,105,048

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 5 - CAPITAL ASSETS (continued)

Capital assets being depreciated				
Facilities & Mains	\$ 5,735,115	\$ 0	\$ 0	\$ 5,735,115
Machinery & Equipment	1,312,578	16,400	0	1,328,978
Vehicles	8,138	0	0	8,138
Less accumulated depreciation	<u>(3,476,906)</u>	<u>(186,709)</u>	<u>0</u>	<u>(3,663,615)</u>
Total capital assets being depreciated, net	<u>\$ 3,578,925</u>	<u>\$ (170,309)</u>	<u>\$ 0</u>	<u>\$ 3,408,616</u>
Business-Type Activities				
Total capital assets, net	<u>\$ 7,039,450</u>	<u>\$ 3,474,214</u>	<u>\$ 0</u>	<u>\$10,513,664</u>
PRIMARY GOVERNMENT				
Total capital assets, net	<u>\$ 7,813,243</u>	<u>\$ 3,775,241</u>	<u>\$ 0</u>	<u>\$11,588,484</u>
COMPONENT UNITS				
Capital assets not being depreciated				
Land	<u>\$ 107,200</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 107,200</u>
Capital assets being depreciated				
Infrastructure	\$ 0	\$ 135,251	\$ 0	\$ 135,251
Less accumulated depreciation	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total capital assets being depreciated, net	<u>\$ 0</u>	<u>\$ 135,251</u>	<u>\$ 0</u>	<u>\$ 135,251</u>
COMPONENT UNITS				
Total capital assets, net	<u>\$ 107,200</u>	<u>\$ 135,251</u>	<u>\$ 0</u>	<u>\$ 242,451</u>

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances at June 30, 2005, is as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
General Fund	\$ 993	Major Streets	\$ 993
	1,683	Local Streets	1,683
	3,796	State Highway	3,796
	5,320	Sewer Fund	5,320
	4,968	Water Fund	4,968
	2,036	Motor Vehicle Pool	2,036
	10	Tax Fund	10
	829	Trust and Agency	829
	1,266	Imprest Payroll	1,266
Motor Vehicle Pool	1,567	General Fund	1,567
	970	Major Streets	970
	998	Local Streets	998
	1,744	State Highway	1,744
	90	Sewer Fund	90
	861	Water Fund	861
Imprest Payroll	<u>841</u>	State Highway	<u>841</u>
	<u>\$27,972</u>		<u>\$27,972</u>

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (continued)

Interfund transfers during the year consisted of the following:

	Transfer From					
	General Fund	Major Streets	Local Streets	Sewer	Water	Total
Transfer to:						
General Fund	\$ 0	\$ 6,600	\$ 6,600	\$ 25,000	\$ 21,000	\$ 59,200
State Highway	300	0	0	0	0	300
Debt Service	0	49,800	0	0	0	49,800
Motor Vehicle Pool	40,824	0	0	1,000	4,000	45,824
Total	<u>\$ 41,124</u>	<u>\$ 56,400</u>	<u>\$ 6,600</u>	<u>\$ 26,000</u>	<u>\$ 25,000</u>	<u>\$155,124</u>

Transfers are used to (1) account for overhead services provided by the general fund to other funds, (2) move revenues from the fund that statute requires to collect them to the fund that budget requires to expend them, and (3) to provide for future acquisition of assets.

NOTE 7 - LONG-TERM DEBT

The Village issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government.

Downtown Development Bonds - During the year 1999-2000, the Village issued bonds in the amount of \$450,000 for streetscape improvements in the downtown district. The bond payments are to be made from the tax increment revenues of the DDA; however, they are also backed by the full faith and credit of the Village.

Michigan Transportation Fund Bonds - During the year 1997-98, the Village issued bonds in the amount of \$550,000 for Major Street Fund Projects on Wright Street and South Street.

Revenue Bonds - The Village has three bond issues with GMAC Commercial Mortgage Corp. which funded water and sewer projects. These are revenue bond issues, whereby revenue derived from the utility systems is used to pay the debt service.

USDA Loan - The Village is in the process of constructing a new sewage treatment plant, funded partially by a \$4,065,000 loan from the USDA Rural Development Office.

County Contract - During the year 1995-96, the Village entered into an agreement with the Hillsdale County Board of Public Works to issue \$1,360,000 in bonds for Water Supply System and other improvements.

The following is a summary of changes in long-term debt for the year ended June 30, 2005:

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
Primary Government				
<i>Governmental Activities</i>				
Downtown Streetscape Bonds	\$ 400,000	\$ 0	\$ 30,000	\$ 370,000
Michigan Transportation Fund Bonds	385,000	0	35,000	350,000
Compensated Absences	<u>106,430</u>	<u>2,060</u>	<u>0</u>	<u>108,490</u>
Total Governmental Activities	<u>\$ 891,430</u>	<u>\$ 2,060</u>	<u>\$ 65,000</u>	<u>\$ 828,490</u>

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Business-type Activities

Revenue Bonds - Sewer Fund	\$ 300,000	\$ 0	\$ 15,000	\$ 285,000
USDA Loan - Sewer Fund	2,732,000	1,600,600	40,000	4,292,600
Revenue Bonds - Water Fund	249,000	0	20,000	229,000
County Contract - Water Fund	1,220,000	0	35,000	1,185,000
Compensated Absences	<u>26,592</u>	<u>3,955</u>	<u>0</u>	<u>30,547</u>
Total Business-type Activities	<u>\$4,527,592</u>	<u>\$1,604,555</u>	<u>\$ 110,000</u>	<u>\$6,022,147</u>
Total Primary Government Long-Term Debt	<u>\$5,419,022</u>	<u>\$1,606,615</u>	<u>\$ 175,000</u>	<u>\$6,850,637</u>

Interest rates, maturity dates, and current portions for the above obligations are as follows:

	<u>Interest Rate(s)</u>	<u>Maturity Date</u>	<u>Current Portion</u>
Downtown Streetscape Bonds	5.00 %	5/1/14	\$ 30,000
Michigan Transportation Fund Bonds	4.30 - 5.15%	11/1/12	35,000
Revenue Bonds - Sewer Fund	5.00%	1/1/18	15,000
USDA Loan - Sewage Treatment Plan	4.00%	4/22/44	42,000
Revenue Bonds - Water Fund - Project #1	5.00%	1/1/12	10,000
Revenue Bonds - Water Fund - Project #2	5.00%	1/1/16	10,000
County Contract	4.30% - 5.70%	11/1/15	<u>35,000</u>
			<u>\$ 177,000</u>

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 65,000	\$ 35,156	\$ 112,000	\$ 269,764
2007	70,000	32,026	118,000	264,400
2008	75,000	28,438	161,000	258,805
2009	80,000	24,740	193,000	249,100
2010	85,000	20,636	230,000	238,546
2011-2015	340,000	36,672	1,172,000	1,014,289
2016-2020	0	0	579,000	770,082
2021-2025	0	0	440,000	671,655
2026-2030	0	0	552,000	562,860
2031-2035	0	0	687,000	427,095
2036-2040	0	0	854,000	258,210
2040-2044	<u>0</u>	<u>0</u>	<u>626,000</u>	<u>57,060</u>
Total	<u>\$ 715,000</u>	<u>\$ 177,668</u>	<u>\$5,724,000</u>	<u>\$ 5,041,866</u>

NOTE 8 - COMPENSATED ABSENCES

Vested or accumulated vacation days and sick leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. The entire compensated absence liability is reported on the government-wide financial statements. Employees of the Village can accumulate vacation pay up to a maximum of 16 to 39 days depending on years of service, and employees have a vested right of 100% of allowable accumulated vacation pay upon termination. Accumulated sick time is vested based on years of service and the vested amount is payable upon termination.

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 9 - PROPERTY TAXES

- Real estate and personal property taxes are recorded as revenue in amounts equal to the total taxes levied. The total levy for 2004 was 16.388 mills - 11.7057 mills allocated to General Fund, and 4.6823 mills allocated to Street Funds. The 2004 total state taxable value was approximately \$71,254,000 (\$59,381,000 ad valorem and \$11,873,000 industrial facilities tax). Village properties are assessed as of December 31 (the lien date) - taxes levied July 1 of the succeeding year and are due without interest to September 15. After the final collection date, unpaid real property taxes are added to the county delinquent tax rolls. Personal property taxes unpaid
- continue to be collected by the Village Treasurer.

NOTE 10 - DEFINED CONTRIBUTION PENSION PLAN

- The Village of Jonesville provides pension benefits for all of its full-time employees through a defined contribution money purchase plan administered by the International City Managers Association Retirement Corporation (ICMA-RC). All full-time employees are eligible to participate in the plan after 6 months of full-time service. Participants are vested incrementally, with full vesting after four years of continuous full-time service. The Village is required to contribute 5 percent of covered payroll. If the employee makes a voluntary contribution of 5 percent, then the Village contributes an additional 2 percent. The activity in the plan for 2004-05 is as follows:

Asset Value - July 1, 2004	\$ 625,626
Employer Contributions	43,409
Employee Contributions	37,902
Investment Gain (Loss)	33,171
Distributions	<u>(25,009)</u>
Asset Value - June 30, 2005	<u>\$ 715,099</u>

NOTE 11 - SEGMENT INFORMATION

- The Village issues separate revenue bonds to finance its water and sewer departments. The fund financial statements report major funds with revenue - supported debt for the water and sewer funds. Services provided by these funds are described in Note 1.

NOTE 12 - RISK MANAGEMENT

- The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Village has purchased commercial insurance for each of these areas of risk and there have been no significant reduction in insurance coverages. Settled claims have not exceeded the amount of insurance coverage for the current or the three prior years.

NOTE 13 - UNEMPLOYMENT TAXES

- The Village is a reimbursing employer to the Michigan Unemployment Insurance Agency and, as such, is responsible to pay the Agency for those benefits paid and charged to its account. As of June 30, appropriate liabilities have been recorded for all claims paid by the Agency. However, no provision has been made for future payments that might result from claims in process or not filed.

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 14 - COMMITMENTS

The Village is working towards the completion of a new wastewater treatment plant with the capacity to handle current needs and future growth. The total cost of the project is estimated to be \$7,229,000. The project is being financed through a \$4,065,000 loan (40 years, 4.5% interest) and a \$2,800,000 grant from the United States Department of Agriculture, along with \$364,000 of local funds. As of June 30, 2005, total expenditures on the project totaled \$7,102,987. Construction was expected to be completed in August, 2005.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF JONESVILLE
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budget Amounts</u>			Actual Over (Under) <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUE				
Property Taxes	\$ 452,100	\$ 452,100	\$ 459,322	\$ 7,222
Licenses and Permits	2,000	2,000	1,505	(495)
State Shared Revenue	274,100	274,100	238,556	(35,544)
Grants	0	109,320	105,281	(4,039)
Charges and Fees	44,750	44,750	52,355	7,605
Recreation	12,500	12,500	15,439	2,939
Rents and Royalties	11,000	11,000	11,316	316
Contributions	5,440	5,440	5,445	5
Reimbursements	95,500	101,300	124,184	22,884
Interest	16,000	16,000	23,514	7,514
Transfers from Component Units	39,400	39,400	43,003	3,603
Miscellaneous	300	300	6,232	5,932
Total Revenue	<u>\$ 953,090</u>	<u>\$ 1,068,210</u>	<u>\$ 1,086,152</u>	<u>\$ 17,942</u>
EXPENDITURES				
General Government	\$ 249,118	\$ 267,563	\$ 257,450	\$ (10,113)
Public Safety	374,969	474,719	463,561	(11,158)
Public Improvements	17,070	18,170	13,960	(4,210)
Streets, Highways, and Drains	27,100	27,100	22,374	(4,726)
Sanitation	4,700	4,700	2,794	(1,906)
Culture and Recreation	75,300	78,850	39,044	(39,806)
Fringe Benefits	257,750	269,435	270,902	1,467
Insurance	14,000	17,150	15,567	(1,583)
Promotions	3,000	4,500	3,078	(1,422)
Total Expenditures	<u>\$ 1,023,007</u>	<u>\$ 1,162,187</u>	<u>\$ 1,088,730</u>	<u>\$ (73,457)</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ (69,917)</u>	<u>\$ (93,977)</u>	<u>\$ (2,578)</u>	<u>\$ 91,399</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 64,000	\$ 58,200	\$ 59,200	\$ 1,000
Transfers Out	(43,150)	(43,150)	(41,124)	2,026
Total Other Financing Sources (Uses)	<u>\$ 20,850</u>	<u>\$ 15,050</u>	<u>\$ 18,076</u>	<u>\$ 3,026</u>
NET CHANGE IN FUND BALANCES	<u>\$ (49,067)</u>	<u>\$ (78,927)</u>	<u>\$ 15,498</u>	<u>\$ 94,425</u>
FUND BALANCES - Beginning	<u>861,624</u>	<u>861,624</u>	<u>861,624</u>	<u>0</u>
FUND BALANCES - Ending	<u>\$ 812,557</u>	<u>\$ 782,697</u>	<u>\$ 877,122</u>	<u>\$ 94,425</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF JONESVILLE
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
MAJOR STREETS FUND
FOR THE YEAR ENDED JUNE 30, 2005

	Budget Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
REVENUE				
State Shared Revenue	\$ 135,000	\$ 135,000	\$ 135,368	\$ 368
METRO Act	5,000	5,000	6,606	1,606
Grant Revenue	400,000	200,000	0	(200,000)
Interest	800	800	1,116	316
Other	0	0	125	125
Total Revenue	<u>\$ 540,800</u>	<u>\$ 340,800</u>	<u>\$ 143,215</u>	<u>\$(197,585)</u>
EXPENDITURES				
Street Construction	\$ 700,800	\$ 358,000	\$ 8,313	\$(349,687)
Routine Maintenance	74,300	74,300	49,974	(24,326)
Traffic Control	7,340	7,340	6,525	(815)
Winter Maintenance	17,950	17,950	16,116	(1,834)
Administration	300	300	57	(243)
Total Expenditures	<u>\$ 800,690</u>	<u>\$ 457,890</u>	<u>\$ 80,985</u>	<u>\$(376,905)</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$(259,890)</u>	<u>\$(117,090)</u>	<u>\$ 62,230</u>	<u>\$ 179,320</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 300,000	\$ 150,000	\$ 0	\$(150,000)
Transfers Out	(56,400)	(56,400)	(56,400)	0
Total Other Financing Sources (Uses)	<u>\$ 243,600</u>	<u>\$ 93,600</u>	<u>\$ (56,400)</u>	<u>\$(150,000)</u>
NET CHANGE IN FUND BALANCES	<u>\$ (16,290)</u>	<u>\$ (23,490)</u>	<u>\$ 5,830</u>	<u>\$ 29,320</u>
FUND BALANCES - Beginning	<u>108,080</u>	<u>108,080</u>	<u>108,080</u>	<u>0</u>
FUND BALANCES - Ending	<u>\$ 91,790</u>	<u>\$ 84,590</u>	<u>\$ 113,910</u>	<u>\$ 29,320</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF JONESVILLE
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
LOCAL STREETS FUND
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUE				
Property Taxes	\$ 180,300	\$ 180,300	\$ 183,493	\$ 3,193
State Shared Revenue	50,000	50,000	43,022	(6,978)
METRO Act	2,000	2,000	2,109	109
Contributions	2,150	2,150	2,150	0
Transfers from Component Units	20,860	20,860	33,956	13,096
Interest	<u>2,600</u>	<u>2,600</u>	<u>11,663</u>	<u>9,063</u>
Total Revenue	<u>\$ 257,910</u>	<u>\$ 257,910</u>	<u>\$ 276,393</u>	<u>\$ 18,483</u>
EXPENDITURES				
Routine Maintenance	\$ 106,000	\$ 106,000	\$ 57,568	\$ (48,432)
Traffic Control	2,950	2,950	2,538	(412)
Winter Maintenance	14,200	14,200	12,965	(1,235)
Administration	<u>0</u>	<u>60</u>	<u>57</u>	<u>(3)</u>
Total Expenditures	<u>\$ 123,150</u>	<u>\$ 123,210</u>	<u>\$ 73,128</u>	<u>\$ (50,082)</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ 134,760</u>	<u>\$ 134,700</u>	<u>\$ 203,265</u>	<u>\$ 68,565</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	\$(306,600)	\$(305,830)	\$ (6,600)	\$ 299,230
Other Transactions	<u>0</u>	<u>(710)</u>	<u>(703)</u>	<u>7</u>
Total Other Financing Sources (Uses)	<u>\$(306,600)</u>	<u>\$(306,540)</u>	<u>\$ (7,303)</u>	<u>\$ 299,237</u>
NET CHANGE IN FUND BALANCES	<u>\$(171,840)</u>	<u>\$(171,840)</u>	<u>\$ 195,962</u>	<u>\$ 367,802</u>
FUND BALANCES - Beginning	<u>557,918</u>	<u>557,918</u>	<u>557,918</u>	<u>0</u>
FUND BALANCES - Ending	<u>\$ 386,078</u>	<u>\$ 386,078</u>	<u>\$ 753,880</u>	<u>\$ 367,802</u>

The accompanying notes are an integral part of this statement.

OTHER SUPPLEMENTARY INFORMATION

VILLAGE OF JONESVILLE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005

	Special Revenue State Highway Fund	Debt Retirement Debt Service Fund	Total
ASSETS			
Cash	\$ 508	\$ 28,461	\$ 28,969
Investments	0	28,548	28,548
Due from Other Governmental Units	<u>6,750</u>	<u>0</u>	<u>6,750</u>
Total Assets	<u>\$ 7,258</u>	<u>\$ 57,009</u>	<u>\$ 64,267</u>
LIABILITIES			
Accounts Payable	\$ 828	\$ 0	\$ 828
Due to Other Funds	<u>6,382</u>	<u>0</u>	<u>6,382</u>
Total Liabilities	<u>\$ 7,210</u>	<u>\$ 0</u>	<u>\$ 7,210</u>
FUND BALANCE			
Reserved for Debt Retirement	\$ 0	\$ 57,009	\$ 57,009
Unreserved/Undesignated	<u>48</u>	<u>0</u>	<u>48</u>
Total Fund Balances	<u>\$ 48</u>	<u>\$ 57,009</u>	<u>\$ 57,057</u>
Total Liabilities and Fund Balances	<u>\$ 7,258</u>	<u>\$ 57,009</u>	<u>\$ 64,267</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF JONESVILLE
COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Special Revenue State Highway Fund	Debt Retirement Debt Service Fund	Total
REVENUE			
State Highway Contract	\$ 25,524	\$ 0	\$ 25,524
Transfer from Component Unit	0	50,000	50,000
Interest Income	<u>3</u>	<u>674</u>	<u>677</u>
Total Revenue	<u>\$ 25,527</u>	<u>\$ 50,674</u>	<u>\$ 76,201</u>
EXPENDITURES			
Routine Maintenance	\$ 12,918	\$ 0	\$ 12,918
Traffic Control	2,356	0	2,356
Winter Maintenance	12,915	0	12,915
Debt Service			
Principal	0	65,000	65,000
Interest	<u>0</u>	<u>38,716</u>	<u>38,716</u>
Total Expenditures	<u>\$ 28,189</u>	<u>\$ 103,716</u>	<u>\$ 131,905</u>
Excess of Revenue Over (Under) Expenditures	\$ (2,662)	\$ (53,042)	\$ (55,704)
OTHER FINANCING SOURCES (USES)			
Transfers In	<u>300</u>	<u>49,800</u>	<u>50,100</u>
NET CHANGES IN FUND BALANCES	\$ (2,362)	\$ (3,242)	\$ (5,604)
FUND BALANCES - Beginning	<u>2,410</u>	<u>60,251</u>	<u>62,661</u>
FUND BALANCES - Ending	<u>\$ 48</u>	<u>\$ 57,009</u>	<u>\$ 57,057</u>

The accompanying notes are an integral part of this statement.

SINGLE AUDIT

VILLAGE OF JONESVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

Federal Grantor/Pass-Through Agency <u>Program Title</u>	<u>CFDA #</u>	Receipts/ Revenue <u>Recognized</u>	Disbursements <u>Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE Waste and Waste Disposal Systems for Rural Communities	10.760	\$ 3,452,200	\$ 3,644,523
U.S. DEPARTMENT OF HOMELAND SECURITY Assistance to Firefighters	97.044	85,320	85,320
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT/ MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY Community Development Block Grants/ Small Cities Program	14.219	<u>11,842</u>	<u>11,842</u>
		<u>\$ 3,549,362</u>	<u>\$ 3,741,685</u>

Bailey, Hodshire & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Village Council
Village of Jonesville
Jonesville, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Village of Jonesville as of and for the year ended June 30, 2005, which collectively comprise the Village of Jonesville's basic financial statements and have issued our report thereon dated November 7, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village of Jonesville's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Jonesville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Village Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Bailey Hodshire + Company, P.C.
Jonesville, Michigan

November 7, 2005

Bailey, Hodshire & Company, P.C.

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Village Council
Village of Jonesville
Jonesville, Michigan

Compliance

We have audited the compliance of the Village of Jonesville with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The Village of Jonesville's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Village of Jonesville's management. Our responsibility is to express an opinion on the Village of Jonesville's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village of Jonesville's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village of Jonesville's compliance with those requirements.

In our opinion, the Village of Jonesville complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the Village of Jonesville is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Village of Jonesville's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Village Council
Village of Jonesville

- Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

- This report is intended for the information and use of management, the Village Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Bailey, Hodskine + Company, P.C.
Jonesville, Michigan
November 7, 2005

VILLAGE OF JONESVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the Village of Jonesville.
2. No reportable conditions were disclosed during the audit of the financial statements of the Village of Jonesville.
3. No instances of noncompliance material to the financial statements of the Village of Jonesville were disclosed during the audit.
4. No reportable conditions were disclosed during the audit of internal control over major federal award programs.
5. The auditor's report on compliance for the major federal award programs for the Village of Jonesville expresses an unqualified opinion on all major federal programs.
6. There were no audit findings relative to the major federal award programs for the Village of Jonesville that are required to be reported in accordance with Circular A-133.
7. The programs tested as major programs included: Waste and Waste Disposal Systems for Rural Communities #10.760.
8. The threshold for distinguishing Types A and B programs was \$300,000
9. The Village of Jonesville was not determined to be a low-risk auditee.

FINDINGS - FINANCIAL STATEMENTS AUDIT

No matters were reported.

FINDINGS AND QUESTIONS COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

No matters were reported.

VILLAGE OF JONESVILLE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005

Not applicable - no findings in the prior year.